

PROPERTY VALUES AND TAXES IN SOUTHEASTERN WISCONSIN

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INTRODUCTION

County and municipal finance officials in Southeastern Wisconsin soon will receive word from the State of Wisconsin regarding 2009 property valuations within their jurisdictions. That information, in turn, is likely to have a significant bearing on 2010 budget deliberations, as property valuations determine whether county and municipal officials can generate increased property tax revenues without increasing property tax rates.

For the past several years, the Public Policy Forum has produced annual reports on property values and property taxes within the seven-county Southeastern Wisconsin region, breaking down the numbers by both municipality and county. This year, we combine the property values and property tax reports as we seek to shed light on the depth of the challenges likely to be faced by local officials in the face of stagnant property values and growing fiscal needs.

This year's report first examines 2008 property values, with specific consideration of multi-year trends. We then analyze 2009 budgeted tax levies and tax rates of Southeastern Wisconsin counties and municipalities to further explore the relationship between valuations and taxes.

What we find is that after several successive years of healthy annual decreases, and only a slight region-wide increase in 2008, the gross property tax rate in Southeastern Wisconsin increased by 2.8% in 2009. Each of the seven counties in the region experienced an overall property tax rate increase, and 112 of the 147 municipalities in the region saw their tax rates go up. In contrast, just two years ago, each of the seven counties in the region experienced a rate decrease of more than 3%, and all but five of the 147 municipalities experienced a decrease of some magnitude.

Perhaps the most significant "take away" from this data is that property tax rates in the region already have begun to increase as the growth in property values simply has slowed. Considering the high likelihood that property values in the region will *decline* in many Southeastern Wisconsin counties and municipalities in 2009, this finding illustrates the difficult challenge faced by local officials in controlling property tax rates, particularly when other negative factors produced by the economic downturn are factored into the equation.

Key findings from our analysis of property values and property taxes in Southeastern Wisconsin:

- Growth in property values in Southeastern Wisconsin has slowed dramatically, even prior to the onset of the economic downturn. The total equalized property value for Southeastern Wisconsin increased 2.2% from 2007 to 2008, the smallest increase in a decade. Meanwhile, 28 municipalities in Southeastern Wisconsin had a decrease in their total value from 2007 to 2008. In 2007, only three municipalities had a decrease, and in 2006 only one municipality lost value.
- The impact of this reduced growth on property tax rates has been significant. The gross tax rate for southeastern Wisconsin was \$19.34 per \$1,000 of property value in 2009, an increase of \$0.53 over the 2008 rate of \$18.81. This was the second year in row with an increase, though the 2008 increase was only \$0.03, and was largely attributable to a

significant increase in Milwaukee County. The region experienced a \$1.11 decrease in 2007 and annual decreases in each additional prior year going back to at least 2001.

- The statewide gross tax rate also increased, from \$18.58 in 2008 to \$18.79 in 2009. Overall, 112 of the 147 municipalities in Southeastern Wisconsin had an increase in their gross tax rate from 2008 to 2009. This is significantly more than the 65 municipal increases last year and the five such increases two years ago.
- In 2008, the average residential equalized value in the region increased only 0.9%. This reduced growth rate contributed to higher property tax rates in each county in 2009. The gross tax rate for Southeastern Wisconsin increased 2.8% in 2009, and the gross tax bill increased 3.8%. Put another way, the average property taxpayer in Southeastern Wisconsin is beginning to see his or her tax bill and rate increase steadily despite significantly reduced growth in the value of his or her property.
- To illustrate the potential 2010 impact of stagnant property values on property taxpayers, we developed projections for property tax rates in each Southeastern Wisconsin county assuming that 2009 equalized values will stay the same, and that the property tax levy in each county increases based on five-year averages. Our projections indicate that for the region as a whole, the gross tax rate would increase \$0.92, which would amount to a \$219 property tax increase for the average residential property in Southeastern Wisconsin.

DATA AND METHODOLOGY

Municipal tax rates are based on the total value of all taxable property in each municipality, also known as the tax base. Because local assessors are responsible for determining the property values for their jurisdictions, assessed values across municipalities and counties is not a uniform measure. To bring all values to a uniform level comparable across jurisdictions, the state equalizes assessed values by using tools such as market sales analysis, random appraisals, and local assessors' reports. Equalized values, calculated yearly, are meant to reflect fair market value (most probable selling price).

Our analysis utilizes equalized values determined by the Wisconsin Department of Revenue (DOR) as of August 15, 2008. Total property value has two categories: real estate and personal property. Real estate makes up the overwhelming majority of the tax base and has eight classifications: residential, commercial, manufacturing, agricultural, undeveloped, agricultural forest, forest, and other. The three classifications considered by the Forum are residential, commercial, and manufacturing.

Changes in property value are classified in three ways. Economic changes refer to changes on existing properties or changes as a result of market conditions. There also are changes due to new construction changes and "other" changes, which include corrections that were made to the value of the property, demolition or destruction of property, and changes in the exempt status or classification of property. New construction drives value growth because, as parcels are used more intensively, they generate a higher land utility.

This report also uses data from the Wisconsin Department of Revenue on 2008-09 municipal tax levies and tax rates in the seven counties of Southeastern Wisconsin. The data are not fully audited and thus are considered preliminary.

The tax levy is the amount of money that each taxing jurisdiction (county, municipality, school district, technical college district, tax increment finance district, special district and the state) budgets to receive from property taxes. These levies were decided in 2008 for the 2009 budgets. To figure the tax rate as a mill rate, each government divides the levy by the total property value (tax base) in its jurisdiction and multiplies the result by 1,000. This calculation allows property tax payments to be distributed evenly among taxpayers according to individual property values.

Because each property taxpayer lives within several taxing jurisdictions, the various tax rates are added together to arrive at the gross tax rate. It is important to note that in this report, when we cite a gross tax rate or levy for a particular county, we are not referring to the rate or levy attributable to county government in that county, but to the aggregate total of all taxing jurisdictions in the county. Also, the net tax rate that determines each taxpayer's payment is different from the gross rate, as the net rate results from subtracting the state tax credit from the gross tax rate. Taxpayers can determine their individual payment by dividing their property value by 1,000 and multiplying the resulting number by the net tax rate. We calculate a hypothetical regional and county total gross tax rate by aggregating each municipality's tax rate into a rate for Southeastern Wisconsin or county as a whole.

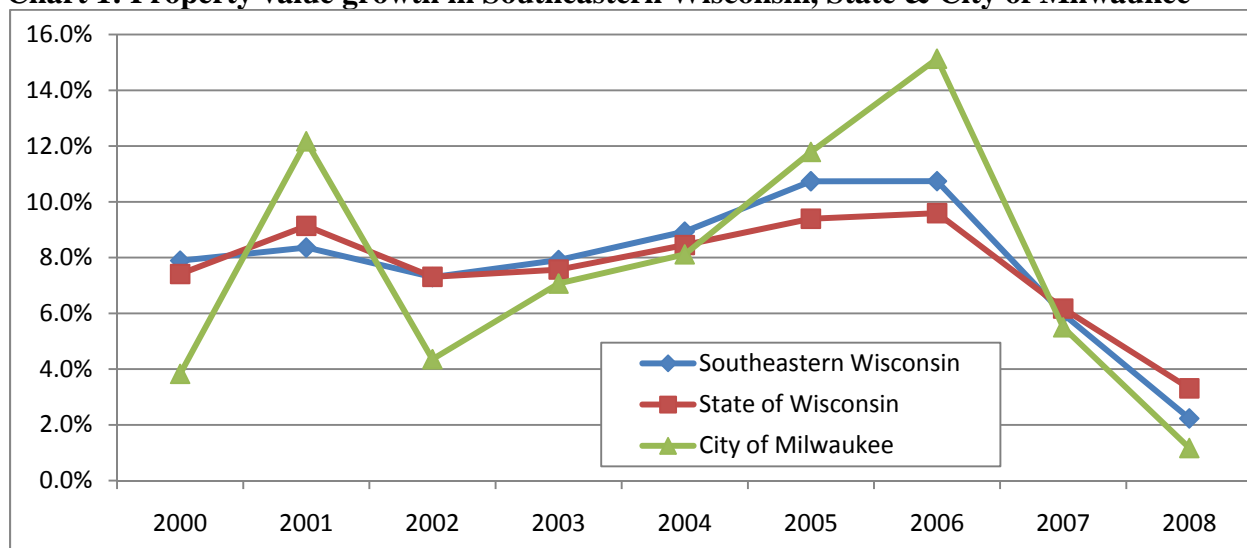
PROPERTY VALUES

Total Equalized Values

In order to understand the impact of property values on local government finances, it is important to examine recent trends in those values. Property value growth in Southeastern Wisconsin has slowed in recent years, and this trend accelerated in 2008. The 2008 equalized value in Southeastern Wisconsin totaled \$193 billion, an increase of 2.2% from 2007. This was the smallest increase in Southeastern Wisconsin since at least 1992 (the first year of our analysis). From 2006 to 2007, the total equalized value increased 6%, and the previous year values increased 10.7%. As Chart 1 shows, after a steady incline in year-to-year increases between 2002 and 2005, the growth rate in Southeastern Wisconsin has dramatically slowed.

The State of Wisconsin as a whole is in the same boat as Southeastern Wisconsin. Total property values in the State grew 3.3% from 2007 to 2008, the second year in a row with a larger increase than Southeastern Wisconsin. In the four years prior to 2007, Southeastern Wisconsin had a larger increase than the State as a whole.

Chart 1: Property value growth in Southeastern Wisconsin, State & City of Milwaukee

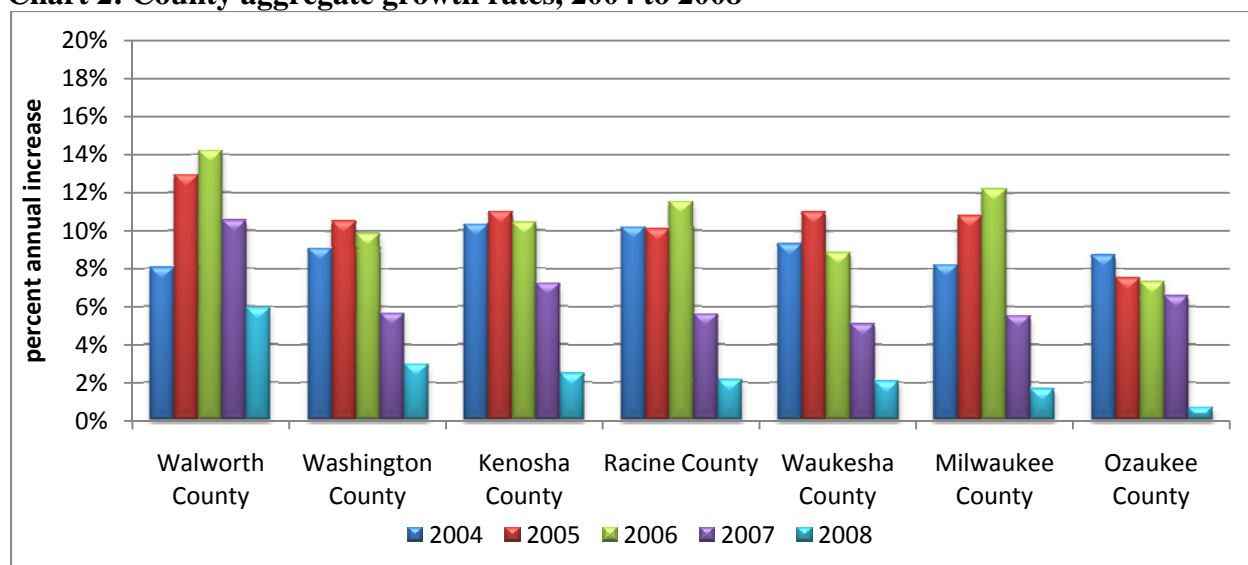


Looking at county aggregates in Southeastern Wisconsin shows that all of the counties in Southeastern Wisconsin had a smaller increase from 2007 to 2008 than from 2006 to 2007. In fact, six of the seven counties had their smallest increase since at least 1992. Walworth County saw the largest growth rate in the region, 5.9%, from 2007 to 2008, but that increase was well below the previous year's increase of 10.5%. Washington County had the next greatest growth rate in Southeastern Wisconsin from 2007 to 2008, at 3.0%. Like Walworth County, Washington County's 2007-08 rate was much lower than its growth rates of 5.7% from 2006-07.

Chart 2 shows this trend for all seven counties in Southeastern Wisconsin. Growth rates have fallen off dramatically in recent years. Milwaukee County experienced the steepest decline in

growth rates between 2006 and 2008. In 2006, Milwaukee County's aggregate property value grew 12.2%, second greatest in the region, but in 2008, its property value only grew 1.6%, which was second smallest.

Chart 2: County aggregate growth rates, 2004 to 2008



At the municipal level, in addition to the 121 municipalities that saw slower rates of growth from 2007 to 2008, 28 municipalities in Southeastern Wisconsin saw a *decrease* in their property value from 2007 to 2008. The previous year there were only three municipalities with a decrease in value, and two years ago there was just one. Similarly, only three municipalities had double-digit increases in their property value from 2007 to 2008, while there were 24 the previous year.

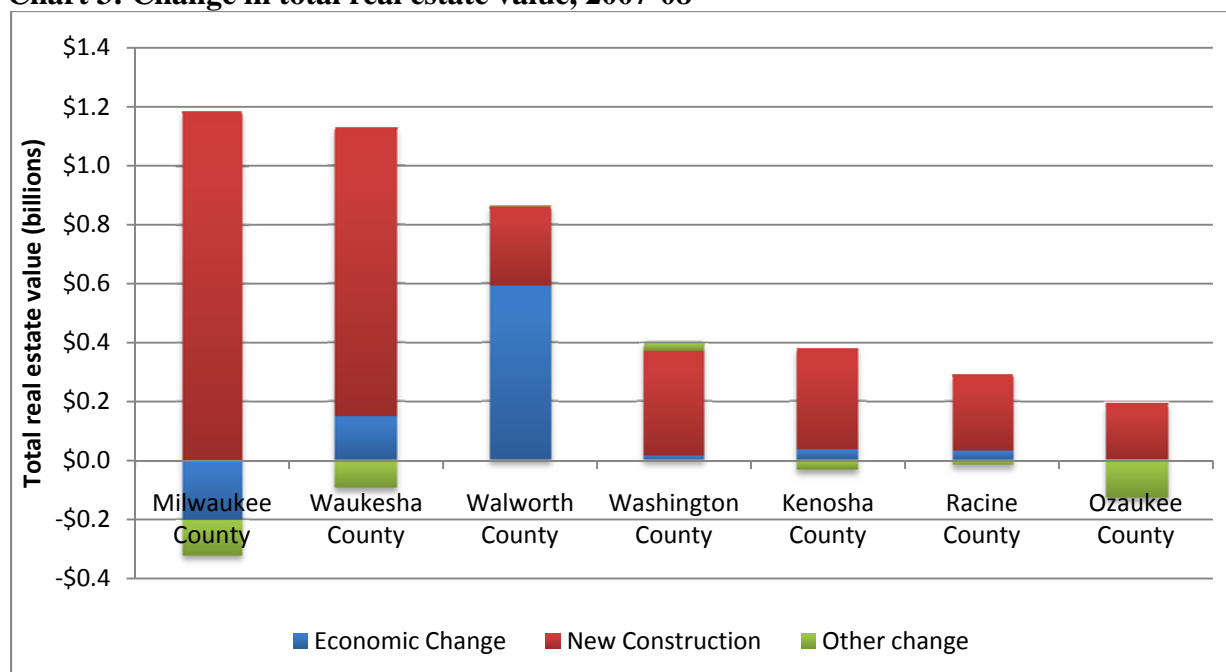
Seven of the 10 municipalities with the largest one-year growth rates in Southeastern Wisconsin were in Walworth County. Also of note, of the 20 municipalities with the largest growth rates, four were cities and the rest were either villages or towns. The City of Delafield in Waukesha County was the highest ranking city, ranking sixth of 147 municipalities with a growth rate of 8.9%. The City of Wauwatosa saw its property value *decrease* 2.2% from 2007 to 2008, giving it the lowest ranking among cities in Southeastern Wisconsin. The City of Milwaukee's property value grew 1.2% from 2007 to 2008, placing it 98th out of 147 municipalities in Southeastern Wisconsin.

Causes of total real estate growth

In Southeastern Wisconsin, most (80%) of the growth from 2007 to 2008 was due to new construction. "Economic change" (i.e. change attributable to market conditions) accounted for 28% of the growth in Southeastern Wisconsin from 2007 to 2008, while "other" change caused an 8% decrease in value. Chart 3 shows that most counties in Southeastern Wisconsin had a majority of their growth come from new construction. Only Walworth had a majority of its one-year growth (69%) come from "economic change". Milwaukee County's total real estate value, meanwhile, suffered an "economic change" decrease of 24%, while the City of Milwaukee

experienced a 114% loss in value due to “economic change”. The City of Milwaukee’s small overall growth was attributable to a 206% increase in new construction, which offset losses due to economic and other changes.

Chart 3: Change in total real estate value, 2007-08

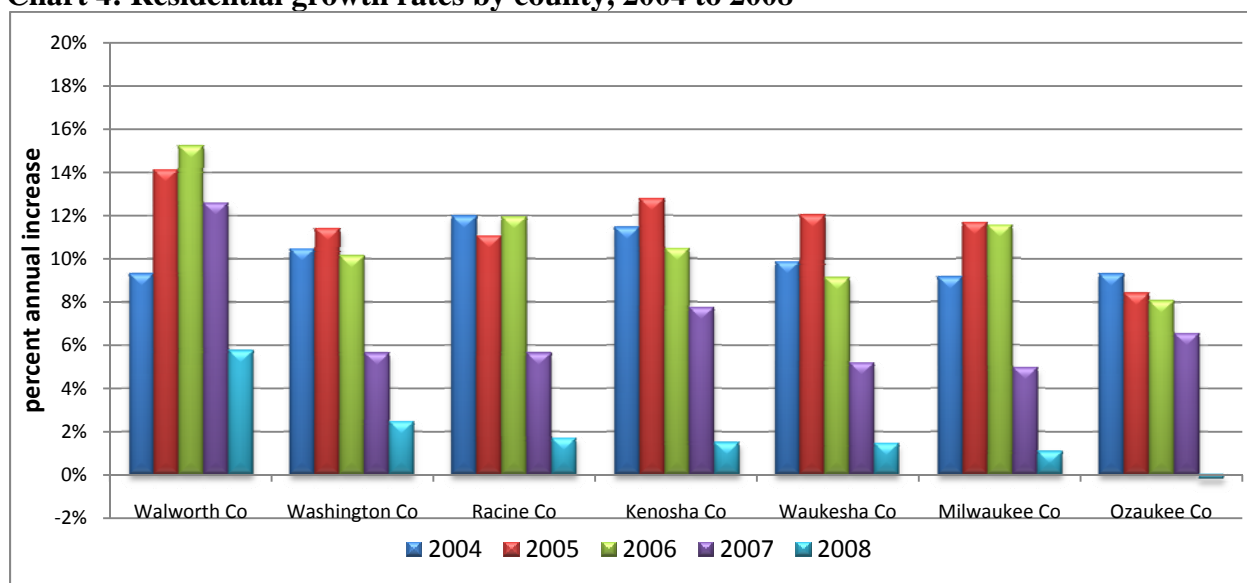


Residential property

Residential property accounted for 74% of all the real estate in Southeastern Wisconsin in 2008, virtually the same relative proportion as prior years. Residential property growth in Southeastern Wisconsin closely mirrored the growth in total equalized values. Residential property values grew 1.7% from 2007 to 2008 in Southeastern Wisconsin, compared to a growth rate of 6.1% from 2006 to 2007. The 2007-08 growth was the smallest in Southeastern Wisconsin since at least 1992. The total residential property value in the state grew 2.8% from 2007 to 2008, also well below the 2006-07 increase of 6.1%.

Walworth County had the largest growth in residential property in Southeastern Wisconsin from 2007 to 2008 at 5.8%. The previous year, residential property in Walworth County grew 12.6%, and two years ago it grew 15.2%. As Chart 4 shows, every county in Southeastern Wisconsin saw much smaller rates of growth in residential property compared to previous years. Ozaukee County saw its residential property value decrease by 0.2% from 2007 to 2008. This is the first time a county in Southeastern Wisconsin has had a year-over-year decrease in residential property value since 1992, the first year of our analysis. Residential property value in Milwaukee County grew 1.1% from 2007 to 2008, the smallest growth rate for that county since at least 1992.

Chart 4: Residential growth rates by county, 2004 to 2008



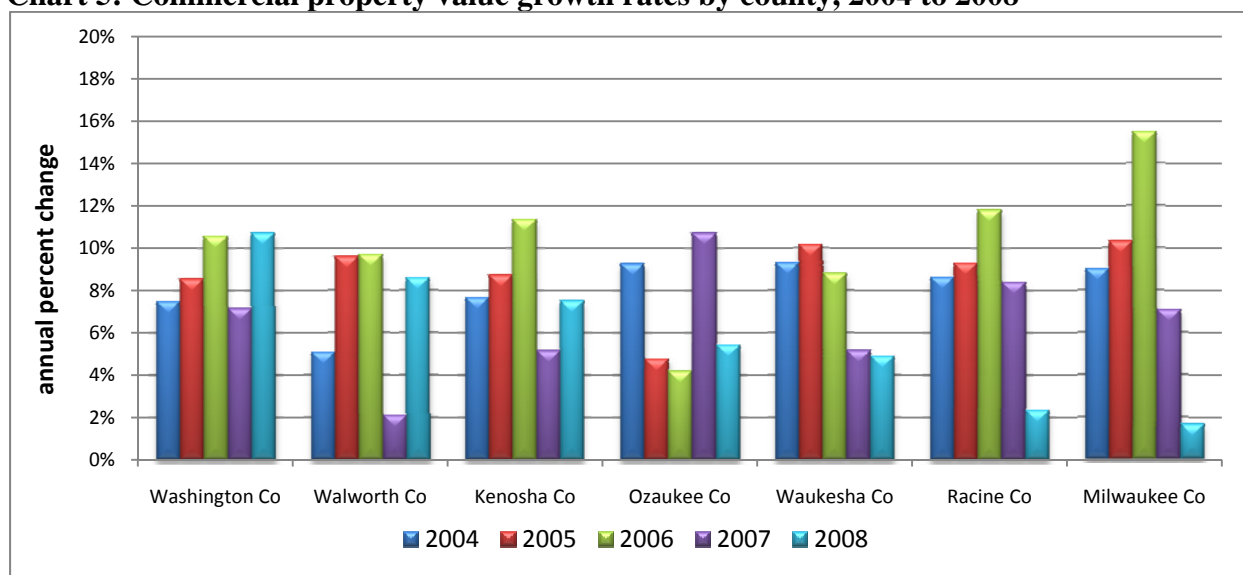
Eight of the top 10 growing municipalities in terms of residential property value were in Walworth County, with Town of Paris in Kenosha County and Village of Pewaukee in Waukesha County comprising the other two. The Village of Sharon in Walworth County had the highest residential growth (12.4%) in Southeastern Wisconsin. Five municipalities in the region had double-digit growth rates; the previous year there were 27. Thirty-three municipalities had a decrease in residential property value from 2007 to 2008, as compared to one from 2006 to 2007. The City of Milwaukee's residential property grew 1.3% from 2007 to 2008, ranking it 87th out of 147 municipalities.

Commercial and manufacturing property

Commercial property values in Southeastern Wisconsin grew 3.7% from 2007 to 2008, the smallest growth rate in the last decade and smaller than both the 2006-07 increase of 6.5% and the 2005-06 increase of 12.3%. The total commercial value statewide grew 4.2%, also the lowest growth in a decade. Commercial property in the state grew 7.3% from 2006 to 2007 and 10.2% two years ago.

Washington County had the highest commercial property growth in Southeastern Wisconsin at 10.7%, its highest growth since 2001. Washington County was one of only three counties in Southeastern Wisconsin for which the 2007-08 growth outpaced that of 2006-07. Commercial property in Milwaukee County grew 1.6% from 2007 to 2008, the smallest annual change since 2003 and a fraction of the 2006-07 growth rate of 7.1%, the largest in the region at that time. The City of Milwaukee's commercial value grew 0.5% from 2007 to 2008, compared to 4.9% in 2006-07 and 18% in 2005-06. Chart 5 shows the aggregate growth rate of commercial property values by county for the last five years.

Chart 5: Commercial property value growth rates by county, 2004 to 2008



Manufacturing property accounts for just 2% of all property in Southeastern Wisconsin. Manufacturing property values increased 1.8% in Southeastern Wisconsin from 2007 to 2008, compared to an increase of 2.4% from 2006 to 2007. Manufacturing property in the state as a whole increased 4.3% from 2007 to 2008, compared to 3.2% in 2006-07. Kenosha County's total manufacturing property value decreased 0.9% from 2007 to 2008, the first one-year decrease in Kenosha County's manufacturing property since 2005. Manufacturing property in Milwaukee County increased 4.2% from 2007 to 2008, the largest growth in the region, and the county's largest increase since 2002.

In 2008, 122 of the 147 municipalities in Southeastern Wisconsin had a manufacturing tax base. Of these 122 municipalities, 22 experienced a decrease in their total manufacturing property value, as compared to 34 the previous year. The City of Milwaukee's manufacturing tax base increased 4.9% from 2007 to 2008, ranking 24th in the region. From 2006 to 2007, the City of Milwaukee's manufacturing property value decreased 0.3%.

PROPERTY TAXES

Property tax levy

While property value growth in Southeastern Wisconsin has slowed significantly in the past two years, property tax levies have grown at a nearly constant rate. The aggregate gross tax levy in Southeastern Wisconsin totaled \$3.7 billion in 2009, an increase of 5.1% over 2008. Between 2007 and 2008, the aggregate gross tax levy in Southeastern Wisconsin increased 6.1%, and from 2006 to 2007 it grew 4.6%. The aggregate gross tax levy statewide increased 4.5% from 2008 to 2009, compared to a 6.2% increase from 2007 to 2008.

School districts are the main drivers of tax levy increases in Southeastern Wisconsin, as the aggregate school district tax levy in Southeastern Wisconsin accounts for 44% of the gross tax levy. The aggregate school district tax levy increased 6.5% from 2008 to 2009 in Southeastern Wisconsin. Municipal tax levies accounted for 26% of the total gross tax levy and increased 3.7%. The aggregate county tax levies in Southeastern Wisconsin accounted for 15% of the total gross tax levy and increased 2.8%.

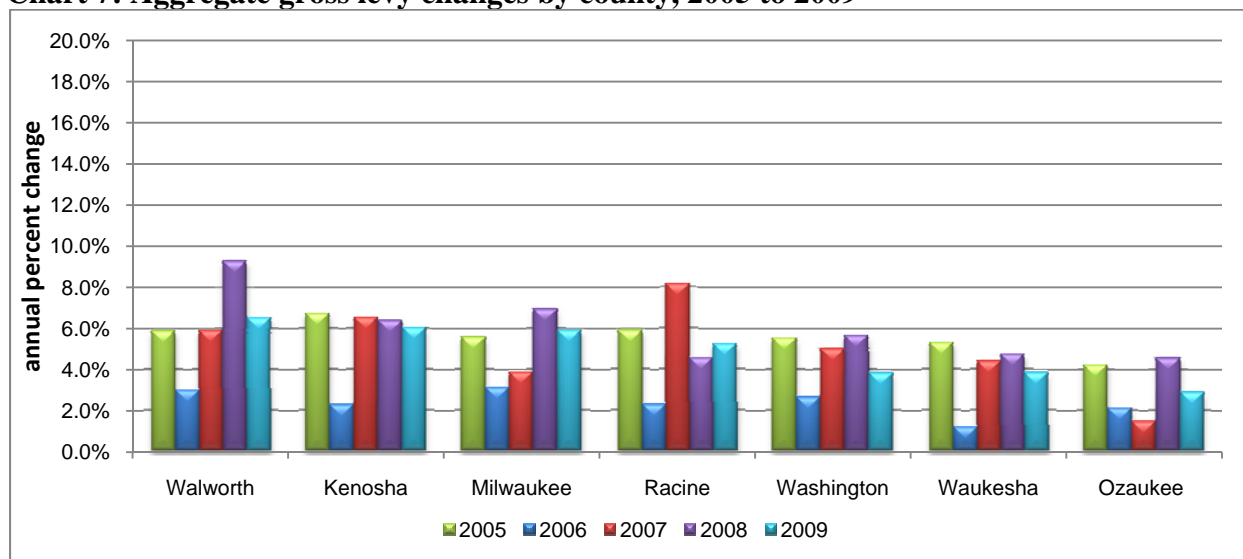
As Chart 7 shows, six of the seven counties in Southeastern Wisconsin had smaller increases in 2008-09 than in 2007-08 in their aggregate gross tax levy. For the second year in a row, Walworth County had the largest increase in aggregate gross tax levy, increasing 6.5% from 2008 to 2009. Over the past five years, the aggregate gross tax levy in Walworth County has grown 26.9%, the highest in the region. Kenosha County's five-year increase is the next highest at 22.9%. Chart 6 compares the five-year change in property values and gross tax levies for each county in the region. As the chart shows, property value growth has been much higher than gross tax levy growth over the five-year period. The chart also shows that those counties experiencing the greatest growth in property value generally experienced the greatest growth in property tax levy.

Chart 6: Five year percent change in property values and gross tax levy by county



Ozaukee County had the smallest increase in its gross tax levy from 2008 to 2009, at 2.9%. Washington County and Waukesha County were close behind with a 3.8% increase for both. As for the other counties, Racine County saw a 5.2% increase, Milwaukee County 5.9% and Kenosha County 6.0%.

Chart 7: Aggregate gross levy changes by county, 2005 to 2009



This year, 10 municipalities had a decrease in the gross tax levy, up from two municipalities last year. Two years ago, 16 municipalities had a decrease in their gross tax levy and three years ago 32 experienced a decrease. Eight municipalities had double-digit increases in their gross tax levy from 2008 to 2009, compared to 20 the previous year. The Village of Genoa City in Racine County had the highest increase in Southeastern Wisconsin in gross tax levy, at 16.4%. Of the top 20 increases in gross tax levy among municipalities in the region, only three were cities while the rest were towns and villages. The City of Elkhorn had the largest increase (11.3%) among cities in Southeastern Wisconsin. The City of Milwaukee's gross tax levy grew 8.0% from 2008 to 2009, ranking it 18 out of 147 in municipalities in Southeastern Wisconsin. Last year, Milwaukee's tax levy grew 7.2%, ranking it 42nd in the region.

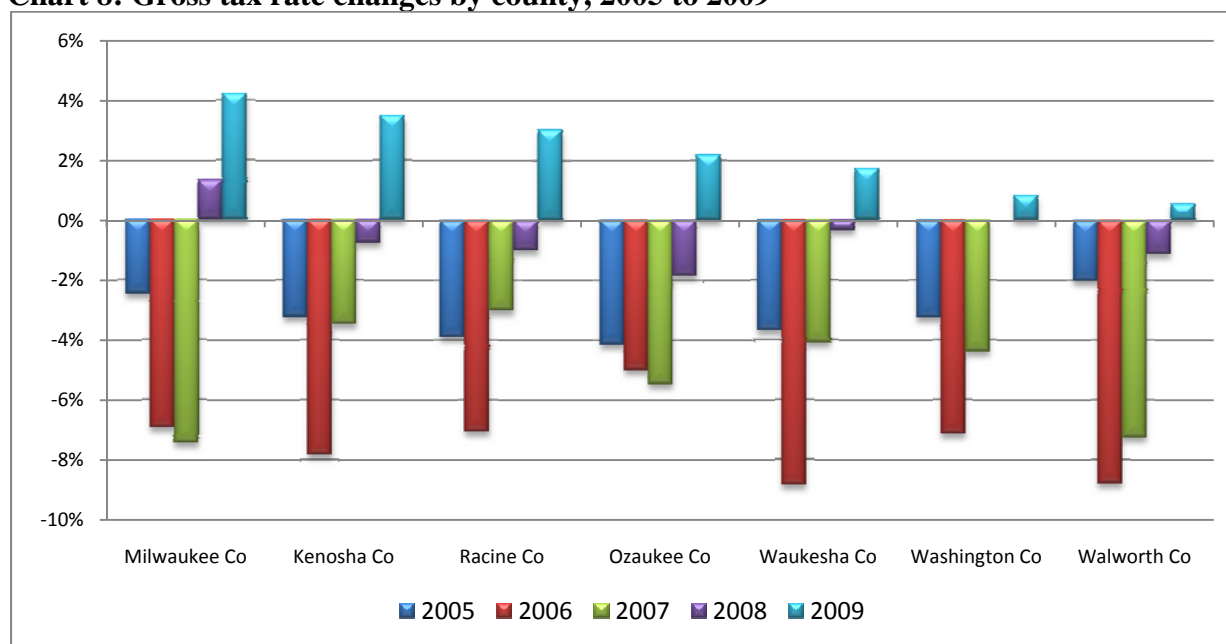
Property tax rates

After years of decreasing tax rates in Southeastern Wisconsin, the aggregate gross tax rate increased for the second year in a row. The gross tax rate for southeastern Wisconsin was \$19.34 per \$1,000 of property value in 2009, an increase of \$0.53 over the 2008 rate of \$18.81. The state-wide gross tax rate also increased, from \$18.58 in 2008 to \$18.79 in 2008.

Each of the seven Southeastern Wisconsin counties had an increase in its gross tax rate from 2008 to 2009. As Chart 8 shows, last year in southeastern Wisconsin, five of the seven counties had a decrease in their gross tax rates, and in the previous three years every county experienced a decrease in its gross tax rate. Milwaukee County's gross tax rate increased \$0.95 to \$23.50 in

2009. This is the second year in a row Milwaukee County led the region in gross tax rate increase. Kenosha County's gross tax rate is \$19.50, an increase of \$0.66 from 2008, placing it second in both rate and increase in 2009. Walworth County had the lowest growth in gross tax rate in the region, which is not surprising considering it had the largest growth in property values. In 2009, Walworth County's gross tax rate was \$15.98, up \$0.09 from 2008.

Chart 8: Gross tax rate changes by county, 2005 to 2009



In Kenosha County, all 12 municipalities had an increased gross tax rate from 2008 to 2009, and in Milwaukee County 16 of the 19 municipalities had an increase. Overall, 112 of the 147 municipalities in Southeastern Wisconsin had an increase in their gross tax rate from 2008 to 2009. This is significantly up from the 65 increases last year and the five increases two years ago. The City of Milwaukee had the fourth largest increase in gross tax rate in the region, going from \$22.63 in 2008 to \$24.16 in 2009. The Village of Genoa City in Walworth County had the largest one-year increase in the region in 2009 (\$2.53).

The net tax rate for Southeastern Wisconsin is \$17.86 in 2009, up \$0.53 from 2008. Last year, the net tax rate for the region decreased \$0.07. For the State of Wisconsin, the net rate was \$17.34 in 2009, up \$0.22 from 2008. Ninety-seven municipalities in Southeastern Wisconsin had an increase in their net tax rate from 2008 to 2009. This is more than double last year's total of 45. Two years ago, four municipalities in Southeastern Wisconsin had an increase.

EFFECTS ON TAXPAYERS

Property tax bills

While some municipalities have high tax rates, this does not necessarily mean that taxpayers in those communities will have high tax bills. A homeowner's tax bill is based on the assessed home value, so obviously the lower the value of the home in a particular municipality, the lower the taxes. Likewise, the annual change in one's property tax bill reflects not only a change in the rate, but a possible change in the assessed value of one's home.

This year, we calculated an average tax bill using the average residential equalized value in 2008 in each county (as opposed to a standard home value applied across the seven-county region) and applying the 2009 gross tax rate for each county. We also did this for prior years for comparison purposes. We sought to perform this analysis for each municipality, but data constraints only allowed us to perform the analysis using county aggregates.

The average residential property value in Southeastern Wisconsin in 2008 was \$238,205. In the past five years, the growth in the average residential property has slowed, much like total equalized values. In 2005, for example, the average residential property in Southeastern Wisconsin increased 10.3%. This large growth allowed municipalities to decrease tax rates and still generate increased levies, thereby allowing many taxpayers to see a decrease in their tax bills. In 2006, the gross tax rate for Southeastern Wisconsin decreased 7.5%, yet the average gross tax bill in Southeastern Wisconsin grew 2%.

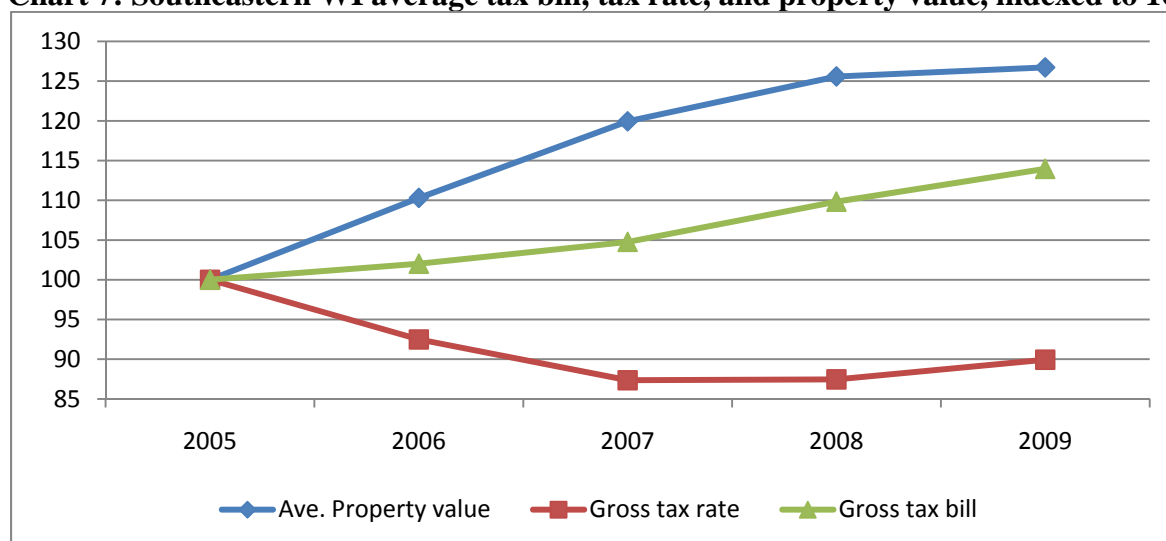
As Table 1 shows, those trends have changed. In 2008, the average residential equalized value increased only 0.9%. This reduced growth rate contributed to higher property tax rates in each county in 2009. The gross tax rate for Southeastern Wisconsin increased 2.8% in 2009, and the gross tax bill increased 3.8%. Chart 7 shows the average residential equalized value, gross tax rate, and gross tax bills for Southeastern Wisconsin indexed to 100 starting in 2005. As the trend lines shows, the average property tax bill in Southeastern Wisconsin has increased steadily over the past five years. In 2008 and 2009, the average property value trend shows reduced growth, and to counteract that, the gross tax rate line has reversed trend and started increasing.

Table 1: Average property values, gross tax rates, and gross tax bills

	2007 Averages			2008 Averages			2009 Averages		
	Value*	Rate	Bill	Value*	Rate	Bill	Value*	Rate	Bill
Kenosha Co	\$207,745	\$18.99	\$3,945	\$220,160	\$18.84	\$4,148	\$221,459	\$19.50	\$4,318
Milwaukee Co	\$176,686	\$22.26	\$3,933	\$183,666	\$22.56	\$4,143	\$184,874	\$23.50	\$4,345
Ozaukee Co	\$308,645	\$16.79	\$5,181	\$325,072	\$16.47	\$5,355	\$321,730	\$16.83	\$5,416
Racine Co	\$186,801	\$18.72	\$3,497	\$195,723	\$18.53	\$3,627	\$196,964	\$19.10	\$3,761
Walworth Co	\$271,527	\$16.08	\$4,365	\$299,832	\$15.89	\$4,765	\$314,008	\$15.98	\$5,018
Washington Co	\$245,595	\$16.38	\$4,023	\$253,040	\$16.38	\$4,144	\$254,728	\$16.51	\$4,206
Waukesha Co	\$305,757	\$16.06	\$4,910	\$316,768	\$16.00	\$5,069	\$318,463	\$16.28	\$5,184
SE WI	\$225,446	\$18.78	\$4,235	\$236,062	\$18.81	\$4,440	\$238,205	\$19.34	\$4,607

* Average residential equalized property value for the previous year.

Chart 7: Southeastern WI average tax bill, tax rate, and property value, indexed to 100



NOTE: The average residential equalized value is for the previous year.

What the future holds

In 2009, every county in Southeastern Wisconsin experienced an increased aggregate gross property tax rate for the first time since we began producing this report in 1992. Last year, five of the seven counties had decreases in their gross tax rates. The relationship between property value and tax rates shows that 2010 property tax rates are likely to increase again.

To illustrate that point, we developed a set of county-by-county projections for gross aggregate property tax rates assuming that 2009 equalized values in Southeastern Wisconsin will stay the same as in 2008, and that the aggregate gross tax levy in each county increases only by the average percentage increase experienced in that county during the past five years.

Table 2 shows the results of our projections. For the region as a whole, the gross tax rate would increase \$0.92. That would amount to a \$219 property tax increase for the average residential property in Southeastern Wisconsin. When examined by county, we see that the rate increase would equal or exceed \$1 per \$1,000 of property value in Milwaukee, Kenosha and Racine counties.

Table 2: Estimated changes to gross tax levies and rates in Southeastern Wisconsin

	Total Equalized Value		Gross Tax levy			Gross Tax Rate		
	2008	2009*	2009	2010**	% change	2009	2010***	Growth
Kenosha Co	\$14,999,322,500	\$14,999,322,500	\$292,482,815	\$308,817,925	5.6%	\$19.50	\$20.59	\$1.09
Milwaukee Co	\$68,224,068,500	\$68,224,068,500	\$1,603,604,246	\$1,684,895,653	5.1%	\$23.50	\$24.70	\$1.19
Ozaukee Co	\$11,376,405,800	\$11,376,405,800	\$191,499,606	\$197,333,378	3.0%	\$16.83	\$17.35	\$0.51
Racine Co	\$15,992,707,300	\$15,992,707,300	\$305,393,487	\$321,309,334	5.2%	\$19.10	\$20.09	\$1.00
Walworth Co	\$15,466,199,300	\$15,466,199,300	\$247,162,094	\$262,250,355	6.1%	\$15.98	\$16.96	\$0.98
Washington Co	\$14,068,827,900	\$14,068,827,900	\$232,315,891	\$242,842,126	4.5%	\$16.51	\$17.26	\$0.75
Waukesha Co	\$53,055,876,600	\$53,055,876,600	\$863,586,840	\$896,993,266	3.9%	\$16.28	\$16.91	\$0.63
SE WI	\$193,183,407,900	\$193,183,407,900	\$3,736,044,979	\$3,913,720,122	4.8%	\$19.34	\$20.26	\$0.92

* We assumed based on trends that property values would stay the same from 2008 to 2009.

** Calculated using the average of the past five years of growth rates.

*** Calculated using the estimates of property values and gross tax levies.

If we were to assume, instead, that growth in the gross tax rate were to remain the same as from 2008 to 2009 (\$0.53), and property value remains the same, then the aggregate gross tax levy in Southeastern Wisconsin would grow 2.7% in 2010. That would be the lowest growth since 2005 at a time when governments and school districts are facing severe expenditure pressures.

CONCLUSION

The purpose of this report is not to argue that elected officials are failing to control the rate of property tax growth in the region. Rather, the purpose is to point out the strong linkage between property values and property tax rates in order to highlight the severe challenges that local elected officials will face in developing 2010 budgets that minimize property tax rate increases while providing the necessary resources to maintain existing levels of government services.

Few, if any, elected officials will relish increasing property taxes, particularly in light of current economic conditions. While in previous years, those officials at least were able to control property tax rates because of steady growth in property values, those very economic conditions create a scenario under which rates would have to increase significantly simply to keep pace with typical revenue needs. It is also worth noting that revenue needs may not be typical in 2010 in light of other recession-induced factors.

In a separate assessment of the fiscal condition of Milwaukee County government, and a similar soon-to-be-released analysis of the fiscal condition of the city of Milwaukee government, the Public Policy Forum notes the problematic nature of over-reliance on one or two significant sources of revenue. This report amplifies that issue, and suggests the need for renewed debate and discussion regarding revenue diversification for counties, municipalities and school districts in Southeastern Wisconsin.

To see a pull-out property tax ranking poster go to:
www.publicpolicyforum.org/pdfs/2009TaxPoster.pdf